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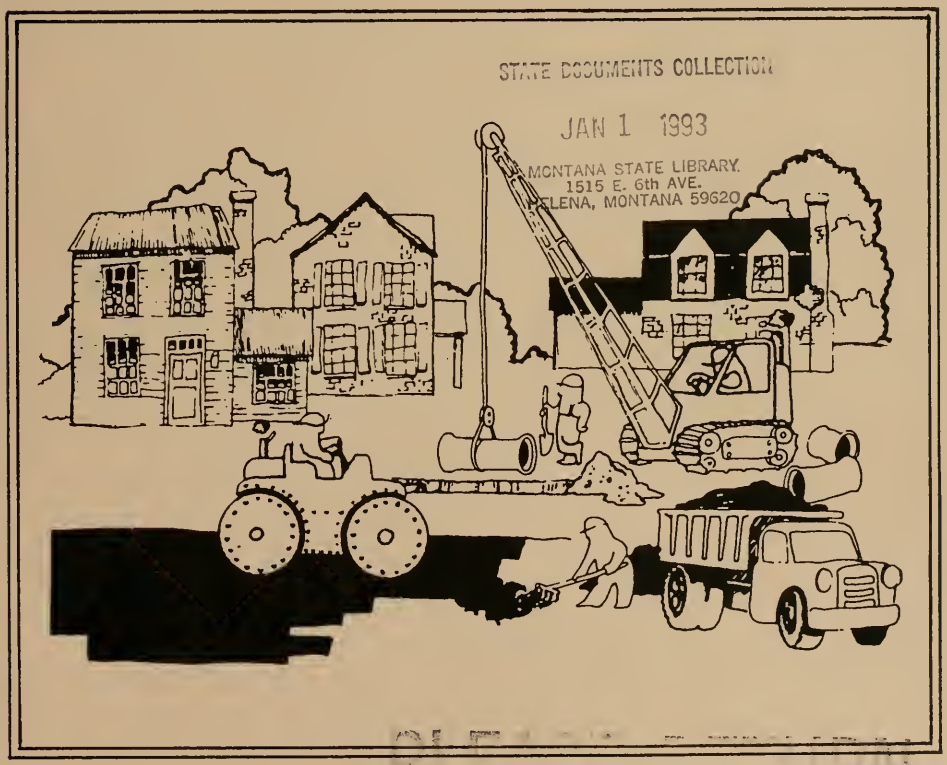
TREASURE STATE ENDOWMENT PROGRAM

1992 APPLICATION GUIDELINES

FOR PUBLIC FACILITIES PROJECTS



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MONTANA TREASURE STATE ENDOWMENT PROGRAM

APPLICATION GUIDELINES

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APPLICATION GUIDELINES FOR THE

MONTANA "TREASURE STATE ENDOWMENT" PROGRAM

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PREFACE

These Application Guidelines explain how cities, towns and counties may apply for financial assistance under the new Treasure State Endowment Program (TSEP) which was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. (See Appendix A for a copy of Legislative Referendum 110.)

In addition to providing information regarding the types of public facilities projects and activities which are eligible for funding under TSEP, these guidelines set out the general policies for TSEP and the requirements for submitting TSEP applications. The application forms that local governments will need to apply for TSEP financial assistance are included in Appendix B.

If you have any questions regarding the Treasure State Endowment Program, contact:

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THE TREASURE STATE ENDOWMENT PROGRAM

SUMMARY

1. The Treasure State Endowment Program is a new State-funded grant and loan program designed to assist cities, towns, and counties in financing the following eligible public facilities projects: drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges.

2. Current estimates are that approximately $1,562,000 in coal severance tax interest will be available for TSEP grants or debt service subsidies for fiscal years 1994 and 1995.

3. TSEP funding requests must be approved by the Legislature. Applications will be accepted by the Department of Commerce (DOC) on a biennial cycle beginning in the fall of 1992. The deadline for 1992 TSEP applications is December 31, 1992.

4. Because of the limited time available for application for the first year of the TSEP program, DOC will automatically consider as TSEP applications those applications for TSEP-eligible public facility projects which have been submitted to and accepted by the Department of Natural Resources and Conservation (DNRC) Water Development Program and the DOC Community Development Block Grant (CDBG) Program. DOC may request additional information from these applicants to address specific TSEP requirements.

5. DOC is required to review TSEP project proposals and prepare a list of recommended projects, giving preference based on nine statutory priorities. DOC is also required to recommend the form of financial assistance for each project.

6. Matching grants, debt service subsidies, or loans will be recommended on a competitive basis for local governments which demonstrate serious needs and limited financial capacity to meet those needs.

7. The amount of funding available for loans under TSEP will be dependent upon a legislatively approved bond issue. The 1993 Legislature would have the option of adding loans authorized under TSEP to the list of loans approved under the DNRC Water Development Program. The loans for these projects could be funded through a state bond issue backed by coal severance tax receipts. Given the existing commitments for outstanding bonds and currently authorized projects, a total of approximately $33 million in bonding capacity would be available to the 1993 Legislature to authorize loans for additional projects through the DNRC Water Development Program and TSEP. Loan terms and conditions would likely be comparable to those established for the DNRC Water Development Program.

INTRODUCTION

The design of a new program for assisting local governments in financing public facilities must be founded on an understanding of the obstacles faced by Montana communities. In preparing these application guidelines for the Treasure State Endowment Program (TSEP), the Department of Commerce (DOC) has been guided by two recent studies of the difficulties faced by Montana communities in financing basic infrastructure facilities.

In October, 1990, DOC published a report entitled, Affordability of Major Wastewater Systems for Small Montana Communities. The report was funded by a grant from the U.S. Environmental Protection Agency (EPA) and was prepared by an independent consultant, Jim E. Richard. Although the report focused on financing issues relating to community sewage systems, the conclusions are equally applicable to and valid for most other public facilities. Among the report's conclusions:

- One-third of Montana's population lives in communities of less than 2,500 people. These small communities bear the heaviest financial burden per household in constructing adequate public facilities principally because they have fewer people than do larger communities to help pay for new construction or major improvements to existing systems.

- Small Montana communities generally have lower household incomes than larger communities.

- The principal reason that so many public facilities continue to be deficient is that most options for correcting deficiencies are not considered to be affordable by local residents.

- At the same time that communities with limited financial resources are facing costly improvements to meet federal and state environmental requirements, existing federal and state funding programs are falling further behind in meeting the existing demand for assistance to make local projects affordable.

- In addition to threatening public health and environmental quality, substandard public facilities in Montana's communities reduce our potential for economic and employment growth.

The DOC report's major recommendations were that:

1. The most important action that the state and federal government can take to address the problem of affordability is to provide additional grant funds for public improvements to small low-income communities.

2. In addition to increasing the total amount appropriated under the various grant programs, the grant ceilings on individual projects should be changed so that grant amounts can be provided in relationship to a community's ability to pay.

3. The various state and federal funding agencies should work together to offer small communities joint financing packages that bring the local share of project costs to a level that the residents can afford.

A second study, The Impact of Interest Rates on the Affordability of Water and Wastewater System Improvements in Small Montana Municipalities, was published in 1991 by the Local Government Policy Center at Montana State University. In his report, Dr. Richard L. Haines concluded that a significant number of smaller cities and towns would not be benefited by existing or proposed state programs that provide low interest loans for building or upgrading water or wastewater treatment systems "because these communities lack the financial capacity to service such relatively large amounts of debt whatever the rate of interest." The Haines report concluded:

> "The implication is that either drastic cost reduction measures should be devised, or a system of supplemental grants and other financial adjustments should be implemented if small Montana communities are to avoid further deterioration of their water/wastewater systems, consequent decline in community livability, and probable future construction cost and regulatory penalties. By themselves, low interest loans will be of little assistance."

There was a strong consensus among the local, state and federal officials, representatives of private sector bonding firms, and the other persons who commented on the draft guidelines that applicants for TSEP funds should participate in the funding of any public facility project in proportion to their financial resources.

In its background research to identify alternative methodologies for determining a reasonable level of local financial effort, DOC has reviewed the practices being followed in other state and federal infrastructure financing programs. These guidelines incorporate objective financial indicators for comparing local participation in TSEP-assisted projects, while retaining the flexibility to recognize extreme hardship situations in which a local government has minimal capacity to participate financially. The need for an objective procedure for assessing local participation is vital if TSEP is to maintain long-term public confidence and avoid charges of favoritism or political influence in the awarding of TSEP funds.

APPLICATION GUIDELINES FOR THE

MONTANA "TREASURE STATE ENDOWMENT" PROGRAM

The Treasure State Endowment Program (TSEP) was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. (See Appendix A for a copy of Legislative Referendum 110.)

I. DEFINITIONS

As set out in Section 1 of Legislative Referendum 110:

A. "Infrastructure projects" means:

1. drinking water systems;

2. wastewater treatment;

3. sanitary sewer or storm sewer systems;

4. solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or

5. bridges.

B. "Local government" means an incorporated city or town, a county, or a consolidated local government.

C. "Treasure State Endowment Program (TSEP)" means the local government infrastructure program established by Legislative Referendum 110 of 1992.

II. AMOUNT OF TSEP FUNDS AVAILABLE IN FISCAL YEARS 1994 AND 1995

Legislative Referendum 110 provides that interest from the Treasure State Endowment Fund and from the sale of bonds may be used to provide financial assistance for local government infrastructure projects.

Beginning July 1, 1993 (and ending on June 30, 2013), TSEP will redirect coal severance tax interest from the permanent trust to a Treasure State Endowment Fund. In addition, Legislative Referendum 110 provides that on July 1, 1993, $10 million will be transferred from the coal severance tax permanent fund to the Treasure State Endowment Fund. This initial $10 million will "capitalize" TSEP in order to provide additional interest income for funding TSEP projects.

The Governor's Office of Budget and Program Planning has projected that this interest income, after deducting budgeted administrative expenses, will generate approximately $1,562,000 during the first biennium (with $487,000 in FY 1994 and $1,075,000 in 1995).

Legislative Referendum 110 also provides that the 53rd Legislature may authorize the issuance of bonds in order to provide the maximum amount of initial funding for TSEP.

The interest income earned on the Treasure State Endowment Fund would be a logical source of funding for matching grants or annual debt service subsidies while a bond issue would provide a means of funding loans for TSEP projects.

The amount of funding available for loans under TSEP will be dependent upon a legislatively approved bond issue. The 1993 Legislature would have the option of adding loans authorized under TSEP to the list of loans approved under the Water Development Program administered by the Montana Department of Natural Resources and Conservation (DNRC). The loans for these projects could be funded through a state bond issue backed by coal severance tax receipts. Given the existing commitments for outstanding bonds and currently authorized projects, a total of approximately $33 million in bonding capacity would be available to the 1993 Legislature to authorize loans for additional projects through the DNRC Water Development Program and TSEP.

III. ELIGIBLE APPLICANTS

A. Any incorporated city or town, county, or consolidated government is eligible to apply for TSEP assistance.

B. Public entities including special purpose districts, such as water, sewer, or solid waste management districts, may be sponsored by a unit of local government which agrees to assume overall responsibility for the TSEP funds and project. Before receiving TSEP funding, the local government must execute an interlocal agreement regarding the proposed project with the district setting forth each party's responsibilities for financial management and administration.

Under Article V of the Montana Constitution, the Legislature is prohibited from making any appropriation for:

> religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state.

C. Projects may be undertaken jointly by two or more units of local government in order to provide the most appropriate and cost-effective solution to an infrastructure problem. One of the local governments must be designated as the lead applicant and accept full responsibility for administrative and financial management during the term of the project.

D. There is no limitation on the number of TSEP applications which may be submitted by an eligible applicant.

NOTE: Because of the limited time available for application for the first year of the TSEP program, DOC will automatically consider as TSEP applications those applications for TSEP-eligible public facility projects which have been submitted to and accepted by the DNRC Water Development Program and the DOC Community Development Block Grant Program. DOC may request additional information from these applicants to address specific TSEP requirements.

IV. ELIGIBLE PROJECTS AND PROJECT DEVELOPMENT COSTS

A. ELIGIBLE PROJECTS

As set out in Legislative Referendum 110, infrastructure projects eligible for TSEP assistance include:

1. drinking water systems;
2. wastewater treatment;
3. sanitary sewer or storm sewer systems;
4. solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or
5. bridges.

B. ELIGIBLE PROJECT DEVELOPMENT COSTS

Project development costs that are eligible for TSEP funding include:

any reasonable costs directly related to planning, design, construction, erection, acquisition, site or other improvements, alteration, modernization, reconstruction, improvement, or expansion of infrastructure projects listed in A., above. Also eligible are related costs such as the cost of preparing engineering plans or studies for an approved TSEP project; legal and audit services; reasonable and appropriate administrative expenses; and interest expense and bond issuance costs attributable to a TSEP project.

C. INELIGIBLE COSTS

Costs that are ineligible for TSEP funding include:

1. direct financial assistance for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state;
2. annual operation and maintenance;
3. purchase of non-permanent furnishings and fixtures or equipment that is not permanently installed in and solely dedicated to the operation of a public facility;
4. refinancing existing debt, except when required in conjunction with the financing of a new TSEP project;

COMMENT: The refinancing of existing debt for previously constructed

public facilities could consume a substantial portion of available TSEP funding while providing no additional infrastructure construction or job creation. This provision will allow the refinancing of a previous bond or loan when done in conjunction with the construction of a new TSEP project.

V. APPLICATION SCORING SYSTEM AND RANKING CRITERIA

A. APPLICATION SCORING SYSTEM

Legislative Referendum 110 requires DOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of priority for projects, and the form of financial assistance for each.

Each applicant will be required to submit a narrative as part of its application which describes the relationship of the proposed TSEP project to the legislative priorities for TSEP projects.

Each application will be assigned points based upon the extent to which the proposed project relates to each legislative criterion, in comparison to the other TSEP applications submitted, as follows:

BEST	Total Available Points
ABOVE AVERAGE	Three-Fourths Available Points
AVERAGE	One-Half Available Points
BELOW AVERAGE	One-Fourth Available Points
NOT APPLICABLE/ MINIMAL RELATIONSHIP	Zero Points

The total number of points assigned to each TSEP application will be based upon its cumulative response to the nine legislative priorities for TSEP.

B. LEGISLATIVE ORDER OF PRIORITY FOR TSEP PROJECTS

A declining numerical score has been assigned to each succeeding criterion to reflect the Legislature's order of priority for funding TSEP projects. The TSEP legislative criteria and the numerical score assigned to each by DOC are as follows, in order of priority:

1. projects that solve urgent and serious public health or safety problems;

   900 POINTS

2. projects that enable local governments to meet state or federal health or safety standards;

   800 POINTS

3. projects that enable local governments to obtain funds from sources other than TSEP;

   700 POINTS

4. projects that provide long-term, full-time job opportunities for Montanans;

   600 POINTS

5. projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;

   500 POINTS

6. projects that result in a benefit to the public commensurate with the amount of financial assistance requested;

   400 POINTS

7. projects that reflect greater need for financial assistance than other projects;

   300 POINTS

8. projects that maintain or do not discourage expansion of the tax base; and

   200 POINTS

9. projects that are high local priorities and have strong community support.

   100 POINTS

TOTAL MAXIMUM POSSIBLE POINTS = 4500 POINTS

VI. TSEP FINANCIAL ASSISTANCE

A. GENERAL

According to Legislative Referendum 110, the purpose of TSEP includes assisting local governments in funding infrastructure projects that will:

- create a partnership between the state and local governments to make necessary public improvements affordable;
- protect future generations from undue fiscal burdens caused by financing public works; and
- coordinate and improve infrastructure financing by federal, state, local government, and private sources.

TSEP is intended to complement existing financing options whenever possible, rather than to duplicate them. Because the resources under TSEP are limited in relation to the total need for local public facility improvements statewide, communities are encouraged to seek out private capital markets and existing state and federal public financing programs to provide the principal financing for infrastructure projects.

B. FORMS OF FINANCIAL ASSISTANCE

Legislative Referendum 110 requires DOC to recommend a list of projects for TSEP funding, giving preference according to the Legislature's order of priority for projects, and the form of financial assistance for each. The Act provides for three types of financial assistance:

- matching grants for local infrastructure projects;
- annual debt service subsidies on local infrastructure projects; and
- loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

The amount and form of TSEP assistance recommended by DOC will be based on the applicant's financial need and the amount of TSEP funds that are available. Applicants for TSEP assistance must document that the proposed infrastructure project cannot reasonably be accomplished without TSEP assistance and that other private or public (i.e., local, state, or federal) resources are insufficient or unavailable to finance the proposed project at a reasonable cost. Applicants must also document that the level of local financial participation in the project is as great as can be reasonably expected.

The Department will recommend the form of financial assistance which is determined to be the most fiscally-sound and cost-effective means of making local user charges or assessments more reasonable and affordable.

C. FINANCIAL INDICATORS FOR DETERMINING APPROPRIATE LEVELS OF TSEP ASSISTANCE

In preparing its recommendations for the form of financial assistance for each project, DOC will be guided by the following indicators to determine a reasonable level of financial participation for each TSEP applicant while, to the extent possible, achieving a reasonably affordable annual cost for local citizens:

1. the total amount of the projected annual user charge or assessment for the public facility for which TSEP funds are requested, including current and projected debt service and operation and maintenance costs, in comparison to the median household income for the city, town, or county census division in which the project is located;

2. the total amount of the current annual user charges or assessments for sewer, water, and solid waste disposal services paid per household within the project area, in comparison to the median household income for the city, town, or county census division in which the project is located;

NOTE: To allow comparison of community water and sewer rates, each applicant for a drinking water or sanitary sewer project must provide its current average monthly charge for 10,000 gallons of residential use.

Only the actual costs of day-to-day operation and maintenance or testing may be included in the user charge calculation. Portions of user charges dedicated to reserves for depreciation or replacement costs cannot be included in calculations of average annual user charges for the purpose of these calculations.

3. the total amount of the current local property taxes paid per household within the proposed project area for taxes assessed by a municipal government (if applicable), county government, and local school district in comparison to the median household income for the city, town, or county census division in which the project is located; and

4. the total amount of current bonded indebtedness per household for the project area for sanitary and storm sewer, water, solid waste disposal services, and bridges in comparison to the median household income for the city, town, or county census division in which the project is located.

NOTE: Each TSEP applicant must provide a completed copy of the DOC Public Facilities Financial Information Form to provide a common basis for comparison of the financial situation of all TSEP applicants. The pertinent information referred to above will be provided by completing this form.

D. MATCHING GRANTS

TSEP matching grants are intended to be used to make needed public facility projects more affordable for local residents by lowering projected user charges or tax assessments to reasonable levels. In order to be eligible for a TSEP matching grant, applicants must provide local matching funds to assist in the financing of total project costs.

Recommendations for the amounts of grants will be based on a comparison of the average costs which are borne by residents of comparable communities, served by existing, similar public facilities and the projected costs for the proposed project, with and without TSEP grant assistance. TSEP will endeavor to award the minimum amount of TSEP grant assistance necessary to complete a project and achieve a reasonable and more affordable annual cost for affected citizens.

1. General Policies for Local Matching Funds and Cost Reimbursement

a. Eligible Local Matching Funds

"Local matching funds" are public or private funds (cash or loans) to be provided by a TSEP applicant to directly support the costs of eligible project activities. Eligible match includes:

- unexpended general funds or other cash;
- proceeds from the sale of general obligation, revenue, special assessment or other bonds;
- entitlement or formula-based federal funds such as federal highway funds or payments in lieu of taxes;
- loan or grant funds from a state or federal program (including TSEP loans); and
- local general funds or other cash which are available to finance eligible project development costs proposed as part of a TSEP project.

b. Ineligible Match

The provision of land, materials or in-kind services, such as donated labor, while encouraged in order to reduce the cost of financing local public facility projects, are ineligible for consideration as local match.

COMMENT: Most state infrastructure programs do not accept in-kind services or materials as match because of the difficulty of accurately and fairly assigning a monetary value to them.

2. Matching Grant Ceilings

The decision to recommend matching grant assistance for projects will be based on each application's ranked order according to the legislative order of priorities and a comparison of the financial indicators described in Section C., above.

a. Affordability Grants

TSEP grants may be used to assist the most financially needy communities to reduce projected user charges or assessments for eligible TSEP projects to more affordable levels. Applicants may be eligible to receive a TSEP Matching Grant of up to 50 percent of the eligible project development costs where indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facility systems in comparable communities.

b. Hardship Grants

In cases of extreme financial hardship and where the public's health or safety is affected, an applicant may be eligible to receive a Hardship Grant of from 51 percent up to 75 percent of the eligible project development costs in order to help reduce user costs to a more affordable level. Applicants may be eligible to receive a TSEP Hardship Grant where:

(1) a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur; and

(2) indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facility systems in comparable communities.

3. TSEP Grant Ceiling Per Household

The amount of TSEP grant funds requested per benefited household (per active residential connection in the case of sewer or water projects) for the project area must be reasonable in relation to those requested by other applicants. In no case should the grant request exceed $5,000 per household unless both of the applicable tests below are met:

a. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur; and

b. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facility systems in comparable communities.

An applicant for a TSEP grant in excess of $5,000 per household to be benefited by the project must be able to clearly demonstrate that without additional grant assistance the financial burden on local residents would be extraordinary.

E. ANNUAL DEBT SERVICE SUBSIDIES

As an alternative to an up-front, one-time matching grant, TSEP financial assistance may be provided as a long-term debt service subsidy. An annual debt service subsidy would provide TSEP funds to pay a fixed percentage of the community's annual debt service payment on a bond or loan. In effect, a debt service subsidy is a grant made on an installment basis for a fixed period of time.

The Department will recommend on-going annual debt service subsidies in cases where this approach is determined to be the most fiscally-sound and cost-effective means of reducing local user charges or assessments to reasonable and affordable levels.

The total amount of the long-term debt service subsidy recommended will be limited to an amount sufficient to reduce per household costs to an amount which conforms to costs for similar public facility systems in comparable communities, not to exceed 50% of annual debt service.

COMMENT: The provision of annual debt service subsidies is a new concept for assisting local governments in financing public facilities that has not been tested in Montana. In contrast to one-time grants to local governments to reduce the total amount of funds that would need to be financed, an annual debt service subsidy would represent a commitment by the State to provide an annual grant over a fixed period of years to reduce the debt service charged to households served by the facility.

F. LOANS AT A SUBSIDIZED INTEREST RATE

NOTE: The amount of funding available for loans under TSEP will be dependent upon a legislatively approved bond issue. The 1993 Legislature would have the option of adding loans authorized under TSEP to the list of loans approved under the Water Development Program administered by the Montana Department of Natural Resources and Conservation (DNRC). The loans for these projects could be funded through a state bond issue backed by coal severance tax receipts. Given the existing commitments for outstanding bonds and currently authorized projects, a total of approximately $33 million in bonding capacity would be available to the 1993 Legislature to authorize loans for additional projects through the DNRC Water Development Program and TSEP.

A direct TSEP loan will be considered if an applicant clearly demonstrates that it is unable to finance the proposed project at a reasonable cost through conventional, private credit or with the assistance of other state or federal infrastructure financing programs.

Direct loans may, when necessary, be used in conjunction with a TSEP grant.

The Department will recommend a loan at a subsidized interest rate in cases where this approach is determined to be the most fiscally-sound and cost-effective means of reducing local user charges or assessments to reasonable and affordable levels.

1. Interest Rate Subsidies for TSEP Loans

TSEP loans will be funded through the sale of bonds secured with coal severance tax funds. Interest rates will depend upon the rate at which state bonds are sold.

Interest rate subsidies will be recommended as follows:

a. if the projected per household annual residential user rate (debt service portion only) is greater than 4% of the applicant's median household income, a 3% interest rate subsidy for five years will be recommended;

b. if the projected per household annual residential user rate (debt service portion only) is at least 2%, but less than 4% of the applicant's median household income, a 2% interest rate subsidy for five years will be recommended;

c. if the projected per household annual residential user rate (debt service portion only) is at least 1%, but less than 2% of the applicant's median household income, a 1% interest rate subsidy for five years will be recommended; or

d. if the projected per household annual residential user rate (debt service portion only) is less than 1% of the applicant's median household income, no interest rate

subsidy will be recommended.

COMMENT: The policies proposed above for determining the amount of recommended interest rate subsidies are identical to those already established for loans through the Water Development Program administered by the Montana Department of Natural Resources and Conservation (DNRC). In 1985, the Legislature requested that DNRC develop a methodology for giving differential interest rates to the projects recommended for water development loans. The method adopted by the 1987 Legislature, described above, considers the user rate as a percentage of the median household income for the community as the basis for setting the interest rate subsidy for direct State loans. DOC will recommend interest rate subsidies on the same basis as DNRC in order to achieve consistency with previously established legislative policy.

2. TSEP Loan Repayment Terms

The repayment period for TSEP loans will generally be 20 years and may not exceed 30 years, however, the loan term will not exceed the anticipated useful life of the financed public facility. Terms longer than 20 years will be authorized only in cases where special financial hardship is clearly documented and where a longer term is determined to be necessary to achieve an affordable annual cost for affected local citizens.

TSEP loans will generally be repaid in semi-annual payments and may be made no less frequently than annually. Loans may be repaid at more frequent intervals at the request of the borrower.

3. Loan Security

The decision to make a TSEP loan will be based on whether the applicant's taxes, assessments, revenues, fees, or other sources of revenue will be sufficient to cover debt service and to provide adequate revenues for operation and maintenance of the assisted facility.

G. DEFERRED LOANS FOR PLANNING AND PRELIMINARY ENGINEERING

Applicants may apply for a TSEP loan to fund preliminary work for a TSEP-eligible project (e.g., planning, preparation of a grant application, legal services, or preliminary engineering services).

Repayment of loans for planning and preliminary engineering will be calculated on the basis of 5% interest per year. Loans must be repaid when construction financing is committed and released for a public facilities project or within five years of the signing of the loan agreement, whichever is first. Failure to repay a loan will disqualify the loan recipient as an applicant for TSEP assistance.

NOTE: Local governments seeking TSEP financial assistance for

planning and engineering studies should contact DOC to request separate application forms for this purpose.

H. ECONOMIC DEVELOPMENT PROJECTS

1. Eligible Economic Development Projects

Under TSEP, eligible economic development projects include sewer, water, solid waste, storm drainage, or bridge "projects that provide long-term, full-time job opportunities for Montanans" and "projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success."

Local government public facilities projects designed to support economic development and the creation of permanent jobs are eligible for TSEP funding, with the following exceptions:

a. any project that would place an existing Montana enterprise at a significant competitive disadvantage;

b. any project that would result in the relocation of an enterprise from one Montana community to another, unless the proposal is approved in advance by the local government that will lose the business;

c. any project that is speculative in nature, without a firm commitment from a specific business (e.g., construction of an industrial park without firm commitments from identified businesses which have agreed to locate in the park); or

d. any project which would require more than $5,000 in TSEP grant assistance for each permanent (year-around), full time equivalent job to be created by the project.

COMMENT: These are standard requirements for economic development projects in most state CDBG programs and in state programs which finance infrastructure needed for specific economic development projects. Similar requirements are already incorporated in Montana's CDBG Program.

2. Form of TSEP Financial Assistance

Local government infrastructure projects designed to support economic development and the creation of permanent jobs are eligible for all forms of TSEP funding: matching grants, annual debt service subsidies, and loans at a subsidized interest rate. The applicant must demonstrate that the proposed form and amount of financial assistance for public facilities which is proposed are appropriate and that other funds, including private funds from the business, are insufficient to complete the project without TSEP assistance.

The applicant local government should determine the minimum amount of TSEP financial assistance necessary to stimulate the private investment, based on the quantified financial gap, and ensure that the business is not unduly enriched compared to the public benefits expected to occur as a result of the project.

Applications may be either restructured or not recommended for funding if the financial viability of the proposal is questionable or where the overall business plan or need for TSEP assistance is inadequately documented.

3. Financial Information Requirements for Economic Development Projects

For an infrastructure project proposed by a local government in support of economic development activities the applicant must:

a. submit a business plan and financial exhibits for each business to be assisted, as set out in the most recent edition of the Montana Community Development Block Grant (CDBG) Program Application Guidelines for Economic Development Projects;

b. document that each business that will benefit from the project has made a firm financial commitment to the project. Such commitments should be binding, contingent only upon the receipt of TSEP funding;

c. demonstrate that a funding gap exists and that alternative sources of public and private financing are unavailable or inadequate;

d. demonstrate that the project will directly result in the creation of new, permanent jobs within a two year period; and

e. demonstrate that the project is not financially feasible without TSEP assistance but, with TSEP assistance, is a sound, well-reasoned project with a high potential for financial success.

VII. GENERAL APPLICATION REQUIREMENTS FOR TSEP CONSTRUCTION PROJECTS

A. APPLICATION DEADLINE

Applications for TSEP assistance must be submitted to DOC by June 15th of the year preceding the Legislative session which will consider the project for funding. Applications must be delivered or postmarked on or before the deadline date.

NOTE: For the Fiscal Year 1993 TSEP funding cycle only, applicants must submit applications to DOC by December 31, 1992.

B. APPLICATION CONTENTS AND FORMAT

Applicants must submit TSEP application information on TSEP forms and follow the format prescribed by DOC. See Appendix B for copies of TSEP application forms and instructions.

C. PROJECT SUMMARY

Each applicant for TSEP funding must provide a concise summary of its proposed project, not to exceed 300 words. The summary will serve as the basis for DOC's TSEP report to the Legislature and should, therefore, present a clear and accurate description of the need for, and merits of, the proposed project. DOC staff may edit summaries to achieve clarity and consistency in format.

D. PROJECT RATIONALE (PRELIMINARY ENGINEERING PLAN)

In addition to completing the standard TSEP application forms provided by DOC, each applicant must provide a narrative which describes the rationale for the proposed construction project and the improvements which are proposed to correct the identified public facility deficiencies.

To justify the need for the proposed project, the applicant must provide a copy of a preliminary engineering plan or study, which includes a description of the improvements necessary to correct the identified deficiencies in the public facility. This plan or study must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. If the applicant is proposing to improve an existing facility, it must include a brief history of the system or facility and an analysis of the system's or facility's present condition and deficiencies.

The preliminary plan or study must also describe the technical alternatives considered to deal with the identified problem; the design criteria used; the cost projections for each alternative, including an analysis of capital and operating costs; and the rationale for the selection of the proposed alternative.

E. RESPONSE TO LEGISLATIVE PRIORITIES FOR TSEP PROJECTS

Each applicant must submit a narrative as part of its application which describes the relationship of the proposed TSEP project to each of the nine legislative priorities for TSEP projects listed in Part V., APPLICATION SCORING SYSTEM AND RANKING CRITERIA.

In order to avoid unnecessary duplication, the applicant should refer to other portions of its application or exhibits in describing its response to the legislative priorities.

Each application will be assigned points based upon the extent to which the proposed project relates to each legislative criterion, in comparison to the other TSEP applications submitted. The total number of points assigned each application will be based upon its cumulative response to the nine priorities for TSEP projects set out by the Legislature.

F. BUDGET FORM AND NARRATIVE

The DOC Budget Form for TSEP Projects must be accompanied by a narrative justification for the specific proposed project activities, including a breakdown of all major project costs that identifies sources and amounts of all non-TSEP funds to be used. The narrative must explain the basis for the cost estimates for each line item in the proposed budget.

G. PROJECT FINANCIAL PLAN

1. Applicants should request a specific amount and form of TSEP financial assistance: either a matching grant, debt service subsidy, or loan with subsidized interest rate. Applicants should request only the minimum amount of TSEP funding necessary, an amount that will be sufficient, in combination with funds from other sources, to complete the proposed project.

   The form and amount of TSEP assistance ultimately recommended to the Legislature may differ from that originally requested by the applicant based on the review of the application by DOC. DOC will not recommend TSEP funding for projects which it determines to be financially infeasible or not cost-effective.

2. The project financial plan should describe the applicant's efforts to secure alternative or additional funds from appropriate public and private sources to assist in financing the proposed project. The applicant should also demonstrate that the level of local financial participation in the proposed project is the maximum that the applicant can reasonably be expected to provide.

3. The application must describe the status of funding from all other (non-TSEP) sources needed to complete the project, including:

   ~ the financial terms and conditions applicable

to each source, i.e., interest rates and terms of repayment for loans or bond issues;

- special conditions applicable to grant or matching funds; and
- when they will be available and how they will be coordinated with TSEP funding.

NOTE: Each TSEP applicant must provide a completed copy of the DOC form, "Public Facilities Financial Information Form" to provide a common basis for comparison of the financial situation of all TSEP applicants.

H. PUBLIC OR PRIVATE SECTOR COMMITMENTS

If public or private sector resources will be involved in a proposed TSEP project, the applicant should provide evidence of the commitment of these resources. These commitments may be contingent upon the award of TSEP funding for the project.

In documenting a public sector commitment, the funding agency should verify the applicant's eligibility for the funds and describe the likelihood of receiving funding. Where funds will be provided by a local government, the commitment should be documented by a formal resolution by the governing body which specifies the approximate amount of the commitment.

In documenting a private sector commitment, such as an applicant's proposal to issue municipal revenue bonds, the applicant should provide a letter from a bond underwriter describing the applicant's eligibility to use the proposed financial instrument and the reasonable expectation of receiving funding through this means.

No TSEP funds will be released for approved projects until firm commitments have been provided for all non-TSEP resources to be involved in the project.

I. CITIZEN PARTICIPATION

Each applicant must provide a narrative which describes its efforts to assure citizen participation in the selection of the proposed project and local awareness of the proposal.

NOTE: The narrative may be used to respond to the ninth legislative priority ranking criteria: "projects that are high local priorities and have strong community support."

Applicants must certify that they have held at least one advertised public hearing in the area of the project to inform local citizens and affected property owners regarding the key components and costs of the proposed project and the amounts of any anticipated increases in user charges or assessments that will result from the proposed project, including the estimated cost per household. This certification may be incorporated in the "Resolution to

Authorize the TSEP Application" which is discussed in section J, below.

Applicants must provide documentation of their efforts to obtain citizen participation, such as a summary of public hearing comments or copies of newspaper articles, to demonstrate that local residents are in support of the proposed project. Copies of public opinion surveys or letters of support may also be submitted.

J. RESOLUTION TO AUTHORIZE TSEP APPLICATION

Each application for TSEP funds must be accompanied by a copy of a resolution formally adopted by the applicant's governing body and authorizing:

- the submission of the TSEP application, and
- the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Applicants or subrecipients must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applying local government assumes complete responsibility for proper financial management of the TSEP funds awarded to it.

K. IMPLEMENTATION SCHEDULE

As part of its application, each applicant must submit an implementation schedule which describes the overall schedule for project completion, including engineering and construction.

L. MAPS

Applicants for TSEP funding must include a clearly legible map showing the boundaries of the proposed project area and the locations of all proposed project activities, such as land to be acquired or public facilities to be constructed or improved.

M. ENVIRONMENTAL IMPACT

All TSEP projects are subject to the Montana Environmental Policy Act which seeks to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts of any development assisted with state funds or approved by a state agency. In addition, TSEP projects are subject to numerous other state environmental laws. To avoid problems which could delay or even prevent a project from being carried out, applicants are encouraged to be sensitive to potential environmental impacts when initially considering their TSEP projects.

Each applicant must submit a completed copy of the DOC form entitled "Checklist of Environmental Considerations for TSEP Projects" to assist in the review of the potential environmental impacts of the projects under

consideration.

N. COMPLIANCE WITH LOCAL, STATE, AND FEDERAL REQUIREMENTS

Each applicant must comply with all applicable federal and state laws and regulations in implementing its TSEP project.

A proposed project must be consistent with any adopted local capital improvements plan or any development plan previously prepared by a public agency having approval authority for the type of project proposed.

O. DOCUMENTATION

Each applicant should identify the source of supporting data for any statements made in the application. If local research was conducted to support the application, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.

All original documentation must be retained by the applicant and made available for review in the event that the application is selected for funding. The lack of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for DOC to re-rank an application and, if necessary, recommend further legislative review prior to the release of funds for an approved project.

VIII. APPLICATION REVIEW

A. Department of Commerce staff will review applications for technical and financial feasibility before the Director of the Department of Commerce prepares a list of recommended projects and form of financial assistance for the Governor.

B. DOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. DOC may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review.

C. During the review, DOC staff may contact the applicant to review the application and to discuss any concerns or questions or to request additional information or documentation.

D. The Department of Commerce will prepare and submit to the Governor a list containing the recommended projects and the recommended form of financial assistance for each.

E. The Governor will review the projects recommended by the Department and submit a list of recommended projects and form of financial assistance to the Legislature.

IX. TSEP ADMINISTRATION

A. GRANT/LOAN AGREEMENT

If the Legislature approves a TSEP project, the applicant will enter into either a bond purchase agreement, a grant agreement, or a combination grant and bond purchase agreement. DOC staff will work with the TSEP recipient to prepare the grant/loan agreement between the recipient and DOC. The agreement will include:

- the amount of TSEP funds to be provided;
- a detailed budget for the TSEP funds and any other funds to be involved in the project;
- the scope of work to be completed and the schedule for implementation of project activities; and,
- the general and special terms and conditions associated with the project.

The TSEP application, as approved, will become a part of the agreement.

No funds will be released to TSEP recipients until the agreement is fully executed between DOC and the recipient, the recipient has complied with all special terms and conditions established by the department, and firm commitments have been provided for all non-TSEP resources to be involved in the project.

B. ENVIRONMENTAL COMPLIANCE

If DOC is the principal state funding agency, it will be responsible for assuring compliance with the Montana Environmental Policy Act (MEPA) and determining the potential environmental impact of TSEP assisted projects.

The applicant for TSEP assistance will be required to provide any information required for the preparation of the environmental review. If an environmental impact statement is required pursuant to MEPA and DOC rules, the applicant will be required to bear the cost of preparing this document.

COMMENT: An Attorney General opinion regarding projects assisted by the Board of Investments suggests that TSEP funded projects would also be subject to MEPA. DOC's CDBG Program has been assuring compliance with MEPA for public facility projects since 1982. CDBG procedures and forms will be adapted for TSEP use.

C. DISBURSEMENT OF TSEP FUNDS

TSEP loan funds will normally be disbursed to recipients in one lump sum. Grant funds will be disbursed to TSEP-assisted projects as actual costs are

incurred by the recipient, in proportion to the disbursement of other participating funding sources for the project.

COMMENT: This procedure for disbursing grant funds is a standard requirement of federal and state programs. It assures that TSEP grant funds will stay in the state treasury to earn additional revenue until they are actually needed to fund local project activities.

D. COST SAVINGS

In the event that construction bids received for a TSEP project are less than the projected costs, DOC will establish a final project budget at the bid price, plus a ten percent contingency. DOC may, at its discretion, reduce the amount of TSEP funding to be provided in proportion to all other project funding sources. As an alternative, TSEP may authorize the construction of additional, directly-related project components to enhance the overall project, up to the originally approved project budget.

E. PROGRESS REPORTING

TSEP recipients will be required to submit quarterly narrative progress and financial reports and, upon project completion, a final report.

F. PROJECT MONITORING

Periodically DOC staff will make monitoring visits to assure that the funds are being used properly and that the projects are being administered in conformance with state law.

G. PROJECT COMPLETION

Projects must be completed within 24 months from the date of contract execution and the formal release of TSEP funds for the project. Extensions will be granted only in unusual or extenuating circumstances.

H. PUBLIC DISCLOSURE

With the exception of any plan or financial information relating to a private business, all records of TSEP will be available for public review with reasonable notice during regular office hours. Proprietary information regarding a private business will not, except as required by law, be provided to any third person, firm, corporation, or public entity without the express written consent of the business.

I. BIENNIAL REPORT TO LEGISLATURE

DOC will biennially solicit public comment on the rules adopted for TSEP, prior to inviting applications for TSEP funds. DOC will prepare a biennial report to the Legislature describing the applications considered for funding, the projects recommended for funding, and any recommendations for changes in the TSEP enabling statute which should be considered by the Legislature.

APPENDICES

APPENDIX A: LEGISLATIVE REFERENDUM 110

The Complete Text of LEGISLATIVE REFERENDUM 110

AN ACT CREATING A TREASURE STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX TRUST FUND; PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING $10 MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND; EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA.

STATEMENT OF INTENT

A statement of intent is necessary for [this act] because [section 6] delegates rulemaking authority to the department of natural resources and conservation and to the department of commerce. It is the intent of the legislature that in adopting rules to implement the prioritization of projects, the agencies shall use the rules established for determining priorities for water development projects as guidelines. The department of commerce should use its existing procedures for determining the local governments that are eligible for financing as a guide in adopting rules to implement the treasure state endowment program. In adopting rules to implement [this act], the departments shall take into consideration any coordination between [this act] and the coal severance tax school bond contingency loan fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. **Treasure state endowment program created -- definitions.** (1) There is a treasure state endowment program that consists of:

(a) the treasure state endowment fund established in 17-5-703; and

(b) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

(2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local government infrastructure projects under [sections 1, 2, and 5 through 8].

(3) As used in [sections 1, 2, and 5 through 8], the following definitions apply:
(a) "Infrastructure projects" means:
(i) drinking water systems;
(ii) wastewater treatment;
(iii) sanitary sewer or storm sewer systems;
(iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or
(v) bridges.
(b) "Local government" means an incorporated city or town, a county, or a consolidated local government.
(c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund established in 17-5-703(1)(b).
(d) "Treasure state endowment program" means the local government infrastructure investment program established in subsection (1).

Section 2. **Purpose.** The purpose of the treasure state endowment program is to assist local governments in funding infrastructure projects that will:
(1) create jobs for Montana residents;
(2) promote economic growth in Montana by helping to finance the necessary infrastructure;
(3) encourage local public facility improvements;
(4) create a partnership between the state and local governments to make necessary public projects affordable;
(5) support long-term, stable economic growth in Montana;
(6) protect future generations from undue fiscal burdens caused by financing necessary public works;
(7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
(8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

Section 3. Section 17-5-701, MCA, is amended to read:
"**17-5-701. State of Montana coal severance tax bonds.** This part provides for the issuance of state of Montana coal severance tax bonds (also referred to as coal severance tax bonds in this part) to:
(1) finance water resource development projects and activities in the state designed to provide, during and after extensive coal mining, a healthy economy, the alleviation of social and economic impacts created by coal development, and a clean and healthful environment for present and future generations; and
(2) finance loans to local governments for infrastructure projects under [sections 1, 2, and 5 through 8]."

Section 4. Section 17-5-703, MCA, is amended to read:
"**17-5-703. Coal severance tax trust funds.** (1) The trust established under Article IX, section 5, of the Montana constitution shall be composed of the following funds:
(a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal severance tax shall be deposited;
(b) a treasure state endowment fund;
(c) a clean coal technology demonstration fund;
~~(c)~~(d) a coal severance tax permanent fund; and
~~(d)~~(e) a coal severance tax income fund.
(2) The state treasurer shall determine the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund on the next two ensuing semiannual payment dates and retain that amount in the coal severance tax bond fund.
(3) Beginning on July 1, 1991, and ending on June 30, 1997, the state treasurer shall from time to time transfer from the excess amount in the coal severance tax bond fund $5 million a year to the clean coal technology demonstration fund and, except as provided in subsection (4), shall transfer any remaining amount to the coal severance tax permanent fund.
(4) (a) Beginning on July 1, 1993, and ending on June 30, 2013, the state treasurer shall:
(i) from time to time transfer to the treasure state endowment fund all money in the coal severance tax bond fund except the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund on the next two ensuing semiannual payment dates; and
(ii) from time to time transfer to the coal severance tax permanent fund 50% of the principal transferred from the coal severance tax bond fund to the treasure state endowment fund in the preceding year.
(b) The state treasurer shall annually transfer to a treasure state endowment special revenue account the amount of interest earnings required to meet the obligations of the state that are payable from the account in accordance with [section 6]. Interest earnings not transferred to the treasure state endowment special revenue account must be retained in the treasure state endowment fund."

Section 5. **Types of financial assistance available.** The legislature shall provide for and make available to local governments the following types of financial assistance under [sections 1, 2, and 5 through 8]:
(1) matching grants for local infrastructure projects;
(2) annual debt service subsidies on local infrastructure projects; and
(3) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

Section 6. **Priorities for projects -- procedure -- rulemaking.** (1) The department of commerce must receive proposals for projects from local governments as defined in [section 1(3)(b)]. The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department of natural resources and conservation under Title 85, chapter 1, part 6, and shall submit a list of recommended projects and the recommended financial assistance to the legislature.
(2) In preparing recommendations under subsection (1), preference must be given to projects based on the following order of priority:
(a) projects that solve urgent and serious public health or safety problems;
(b) projects that enable local governments to meet state or

federal health or safety standards;
(c) projects that enable local governments to obtain funds from sources other than the funds provided under [sections 1, 2, and 5 through 8];
(d) projects that provide long-term, full-time job opportunities for Montanans;
(e) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;
(f) projects that result in a benefit to the public commensurate with the amount of financial assistance;
(g) projects that reflect greater need for financial assistance than other projects;
(h) projects that maintain the tax base or that do not discourage expansion of the tax base; and
(i) projects that are high local priorities and have strong community support.
(3) After the review required by subsection (1), the projects must be approved by the legislature.
(4) The department of natural resources and conservation shall adopt rules to implement the prioritization and recommendation of projects to be financed pursuant to 17-5-701.
(5) Except as provided in subsection (4), the department of commerce shall adopt rules necessary to implement the treasure state endowment program.

Section 7. **Infrastructure endowment fund to continue.** The treasure state endowment fund created in 17-5-703 must be maintained even though transfers to the fund from the coal severance tax bond fund cease on June 30 of the 20th year following the initial transfer to the fund, as provided in [section 10]. Interest earnings from the treasure state endowment fund must continue to be paid annually to the treasure state endowment special revenue account as provided in 17-5-703(4)(b).

Section 8. **Coal severance tax trust fund to remain inviolate.** [Sections 1, 2, and 5 through 10] do not authorize or permit the expenditure of any part of the coal severance tax trust fund created by Article IX, section 5, of the Montana constitution.

Section 9. **Legislative implementation required.** (1) The legislature shall implement [this act] by amending or enacting all legislation necessary to carry out the intent of [this act].
(2) If the process required under [section 6] has occurred, the 53rd legislature may approve projects.
(3) The 53rd legislature may authorize the issuance of bonds in order to provide the maximum amount of initial funding for the treasure state endowment program and shall take any action necessary to prevent a negative arbitrage consequence.

Section 10. **Transfer of coal severance tax money to treasure state endowment fund.** On July 1, 1993, $10 million is transferred from the coal severance tax permanent fund to the treasure state endowment fund and is dedicated for the purposes provided in [this act].

Section 11. **Submission to electorate.** The question of whether this act will become effective shall be submitted to the qualified electors of Montana at the primary election to be held in June 1992 by printing on the ballot the full title of this act and the following:

☐ FOR creating the treasure state endowment fund to provide local governments coal severance tax trust fund interest for water, sewer, solid waste, and bridge projects.

☐ AGAINST creating the treasure state endowment fund to provide local governments coal severance tax trust fund interest for water, sewer, solid waste, and bridge projects.

APPENDIX B: TSEP APPLICATION FORMS

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TREASURE STATE ENDOWMENT PROGRAM (TSEP)
APPLICATION FORMAT

1. Applications should be as concise as possible, however, the applicant may use as many pages as necessary to adequately explain the proposed project. Only information pertaining directly to the proposal should be included.

2. Applications should be submitted on standard 8 1/2 x 11-inch paper, with maps and large sheets folded to an 8 1/2 X 11-inch size.

3. Pages should be numbered consecutively.

4. Supporting documents should be placed in an appendix. Supporting documents include items such as public hearing notices, maps, local government resolutions, survey forms, financial statements, or letters of commitment. Appendices should be listed in the table of contents.

5. Applications should be bound along the left margin in some manner. Tabs on the right side of the applications should be used to mark sections and appendices.

6. Organize the TSEP application according to the following outline:

   a. **Application Cover Form**

      The Department of Commerce (DOC) TSEP Cover Form must be completed and signed by the chief elected official or executive officer of the applicant's governing body.)

   b. **Table of Contents**

   c. **Project Summary**

      Each applicant must provide a concise summary of its project, not to exceed 300 words (one typewritten page).

   d. **Project Rationale (Preliminary Engineering Plan)**

      Each applicant must provide a narrative which describes the rationale for the proposed construction project and the improvements which are proposed. A copy of a preliminary engineering plan must accompany the application. The plan or study may be submitted as a separate document or may be incorporated within the narrative text or as an appendix to the application.

   e. **Response to Legislative Priorities for TSEP Projects**

      Each applicant must provide a narrative which describes the relationship of the proposed TSEP project to each of the nine legislative priorities for TSEP projects.

f. **Budget Form and Narrative**

Each applicant must provide a completed copy of the DOC TSEP Budget Form along with a narrative which justifies the specific budget proposed, including a breakdown of all major project costs and description of the sources and amounts of all non-TSEP funds to be used.

g. **Project Financial Plan**

The application must describe the status of all non-TSEP funds needed to complete the project, including the financial terms and conditions applicable to each source, any special conditions applicable to grant or matching funds, when they will be available, and how they will be coordinated with TSEP funding.

h. **TSEP Public Facilities Financial Information Form**

Each applicant must provide a completed copy of the DOC TSEP Public Facilities Financial Information Form to provide a common basis for comparison of the financial situations of all TSEP applicants.

i. **Citizen Participation**

Each applicant must provide a narrative which describes its efforts to assure citizen participation in the selection of the proposed project and local awareness of the proposal.

j. **Appendices**

(1) Resolution to Authorize Application, signed and dated (see DOC Model Format)

(2) Maps

(3) Implementation Schedule

(4) DOC Checklist of Environmental Considerations for TSEP Projects

(5) Other Supporting Documentation

7. Four copies of the TSEP application and attachments must be submitted by applicants.

8. Application Deadlines: Applications for TSEP funding must be delivered or postmarked on or before **December 31, 1992**.

9. Copies of applications for TSEP funding and all attachments must be submitted to:

Local Government Assistance Division
Montana Department of Commerce
1424 9th Avenue
Capitol Station
Helena, MT 59620

MONTANA TREASURE STATE ENDOWMENT PROGRAM (TSEP)

APPLICATION COVER FORM

(Please type or print)

1. NAME OF APPLICANT(S): _____

2. POPULATION OF APPLICANT(S): _____

   POPULATION OF PROJECT AREA: _____

3. NUMBER OF HOUSEHOLDS WITHIN PROJECT AREA: _____

4. CHIEF ELECTED OFFICIAL (or EXECUTIVE OFFICER)

   Name _____

   Title _____

5. MAILING ADDRESS:

   Street/P.O.Box _____

   _____
   City State Zip

   _____
   Telephone

6. CONTACT PERSON:

   Name _____

   Title/Firm _____

   MAILING ADDRESS:

   Street/P.O.Box _____

   _____
   City State Zip

   _____
   Telephone

7. TYPE OF APPLICATION:

(1)	Bridge	_____
(2)	Drinking Water	_____
(3)	Solid Waste	_____
(4)	Storm Drainage	_____
(5)	Wastewater Treatment	_____

8. PROPOSED FUNDING:

a. TSEP Funds Requested in this application:

Matching Grant: $_____

Total Annual Debt Service Subsidy: $_____

(Above Equals Annual Subsidy) X $_____
(Number of Years Requested) $_____

Loan with Subsidized Interest Rate: $_____

b. Funds to be supplied by applicant: $_____

c. Other Local, State or Federal Funds:

Source: _____ Amount: $_____
_____ Amount: $_____
_____ Amount: $_____

d. Private Funds:

Source: _____ Amount: $_____
_____ Amount: $_____
_____ Amount: $_____

e. TOTAL PROJECT: (Total Lines a,b,c,d) $_____

9. To the best of my knowledge and belief, the information in the attached application is true and correct.

_____ _____
Signature of Chief Elected Official (or Executive Officer) Date

INSTRUCTIONS FOR COMPLETING

THE "MONTANA TSEP PROGRAM APPLICATION COVER FORM"

1. LOCAL GOVERNMENT(S) APPLYING:

   Enter name(s), of the municipality(ies) or county(ies) submitting the application.

2. POPULATION:

   Enter the 1990 Census population of the applicant and the project area (if available).

3. HOUSEHOLDS:

   Enter the number of residential households within the proposed project area.

4. CHIEF ELECTED OFFICIAL:

   Enter the name and title of the chief elected official of the applicant.

5. MAILING ADDRESS:

   Enter the mailing address and business telephone number for the applicant local government.

6. CONTACT PERSON:

   Give the name, mailing address and business telephone number of the person designated as the contact person for the application. This person should be knowledgeable about the application and be authorized to speak on behalf of the local governing body regarding the application.

7. TYPE OF APPLICATION:

   Check the type of project you are proposing. (Check only one).

8. PROPOSED FUNDING:

Enter the following figures:

(a) The amount of TSEP funds being requested in this application (specify the total amount of the TSEP matching grant, annual debt service subsidy, or loan with a subsidized interest rate).

(b) The amount of any funds to be provided by the applicant as part of the total project budget.

(c) The amount of other public (federal, state and/or local) funds to be used in the project. If none, enter 0.

(d) The amount of private funds to be used in the project. If none, enter 0.

(e) The total cost of the project. (This figure should equal a + b + c + d.)

9. SIGNATURE OF CHIEF ELECTED OFFICIAL OR EXECUTIVE OFFICER:

The chief elected official or executive officer of the local governing body must sign the Application Cover Form and the Resolution to Authorize Submission of the TSEP Application. It is not necessary to submit a copy containing original signatures.

Four copies of applications for TSEP funding and all attachments must be delivered or postmarked by December 31, 1992 to:

Local Government Assistance Division
Montana Department of Commerce
1424 9th Avenue
Capitol Station
Helena, MT 59620

If you have any questions regarding the Treasure State Endowment Program or the application guidelines, telephone DOC staff at (406) 444-3757.

APPLICATION BUDGET FORM FOR TSEP PROJECTS

	TSEP	OTHER:	OTHER:	TOTAL
ADMINISTRATION				
PERSONAL SERVICES	$	$	$	$
OFFICE COSTS				
Supplies				
Postage & Printing				
Telephone				
PROFESSIONAL SERVICES				
Consulting				
Legal				
Audit				
OTHER				
Travel & Training				
TOTAL ADMINISTRATION	$	$	$	$
ACTIVITY				
ACQUISITION				
	$	$	$	$
ENGINEERING/ARCHITECTURAL SERVICES				
CONSTRUCTION				
OTHER				
TOTAL ACTIVITY	$	$	$	$
TOTAL PROJECT	$	$	$	$

TSEP PUBLIC FACILITIES FINANCIAL INFORMATION FORM

This form must be completed by each applicant for TSEP funding in order to help DOC evaluate the applicant's need for TSEP assistance. The form is divided into two separate parts, as follows:

1. Part 1, Current Financial Information, relates to an applicant's current financial situation and existing household user charges for water, sanitary sewer, and solid waste disposal services, regardless of the type of project being considered, and

2. Part 2, Proposed Funding, relates to an applicant's projected costs and financial impacts related to the actual, specific utility or facility proposed to be assisted with TSEP funds.

Please fill in the information requested in the spaces provided below. The information should be based on Fiscal Year 1992 records. Much of the information requested is included in the local government's most recent Annual Financial Report submitted to the Department of Commerce for Fiscal Year 1992.

Name of Applicant: _____

Type of Project (water, sanitary sewer, solid waste, storm drainage, or bridge):

_____

Number of Households Served by System or Facility: _____

PART 1. CURRENT FINANCIAL INFORMATION

A. Property Taxes:

1. Taxable value of property in applicant's jurisdiction (either county or municipality). County special districts should use county-wide information. $_____

2. Number of mills levied within the project area by:

   a. Municipality, if applicable _____

   b. County _____

   c. Local School District _____

   d. All Other Taxing Jurisdictions _____

   TOTAL MILLS LEVIED (a. + b. + c. + d.) _____

B. Current Debt and Cash Reserves:

1. Current Debt

a. For cities, towns or consolidated governments:

Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____

b. For the county, if a county-wide project:

Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____

c. Sewer, water, or solid waste district, if applicable:

Purpose: _____ Amount: $_____
Purpose: _____ Amount: $_____

2. Non-Obligated Cash Reserves

If applicable, state the amount of any non-obligated local government cash reserves, exceeding $25,000 or more, currently held in certificates of deposits, trust funds or other similar investment accounts.

_____
_____
_____

C. Current Household User Charges:

1. Current average monthly service charges or assessments per household for water, sanitary sewer, and solid waste:

Note: This information is requested from all TSEP applicants regardless of the specific facility proposed to be assisted. For water or sewer projects, the existing rates must be based on 10,000 gallons monthly consumption per household (active residential connections) in order to provide a common basis for comparison. The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement. For solid waste, include costs for an average residence.

Water:

Debt Service: $_____
Operation and Maintenance: $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD $_____

Sanitary Sewer:

Debt Service: $_____
Operation and Maintenance: $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD $_____

Solid Waste:

Debt Service: $_____
Operation and Maintenance $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD $_____

2. For local governments applying for TSEP assistance for storm sewers or bridges, provide the following information, as applicable:

   a. For storm sewer projects, state the current user charge or assessment for an average, typical residence, depending upon the type of rate system. (If assessed on the basis of property value, assume an assessed valuation of $45,000 for an average home.)

   TOTAL CHARGE, ASSESSMENT, OR TAX PER HOUSEHOLD $_____

   b. For bridge projects, include the property tax generated by the current local bridge mill levy for a residence, assuming an assessed valuation of $45,000 for a home.

   TOTAL CHARGE, ASSESSMENT, OR TAX PER HOUSEHOLD $_____

PART 2. PROPOSED PROJECT FUNDING

A. Total Project Cost:

1. Total TSEP funds requested in this application: $_____

2. Non-TSEP funds to be supplied by applicant, including all other local, State, and Federal grant or loan funds:

a. Source:_____ Amount: $_____
b. Source:_____ Amount: $_____
c. Source:_____ Amount: $_____
d. Source:_____ Amount: $_____
e. Source:_____ Amount: $_____

TOTAL PROJECT COST (Total of Lines 1 and 2 a-e.) $_____

3. What is the total amount that the applicant will need to borrow from all sources to finance the proposed project?

$_____

B. Projected Household User Charges For Water or Sanitary Sewer Projects:

Only applicants for a water or sanitary sewer project need to address this section. For water or sewer projects, the anticipated rates must be based on 10,000 gallons monthly consumption per household (active residential connections). In order to provide a common basis for comparison of all applicants for water or sewer projects, each applicant must calculate anticipated per household debt service charges on the basis of a 6.5% interest rate over a 20-year term to finance the proposed project.

The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement.

1. Calculate an average monthly charge or assessment per household for the utility, assuming the financing sources listed above in Section A.3. plus conventional financing for the balance of needed funds at 6.5 % interest for 20 years (without TSEP assistance).

Debt Service: $_____
Operation and Maintenance $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD $_____

2. Calculate an average monthly charge or assessment per household for the utility, assuming the use of the financing sources listed in Section A.3. above plus the receipt of the full amount of requested TSEP assistance.

Debt Service: $_____
Operation and Maintenance: $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD $_____

C. Household Assessments, Fees, or Charges for Solid Waste, Bridge or Storm Sewer Projects

Only applicants for a solid waste, bridge or storm sewer project need to address this section. In order to provide a common basis for comparison of all applicants for solid waste, bridge, or storm sewer projects, each applicant must calculate anticipated household charges on the basis of a 6.5% interest rate over a 20-year term to finance the proposed project.

For solid waste projects, please include costs for an average, typical residence.

For storm sewer projects, please state the user charge or assessment for an average residence (if applicable, depending upon the type of rate system). If assessed on the basis of property value, please assume an assessed valuation of $45,000 for an average home.

For bridge projects, please include the property tax generated by the local bridge mill levy for a residence, assuming an assessed valuation of $45,000 for a home.

The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement.

1. Calculate an average monthly charge or assessment per household for the proposed facility, assuming the financing sources listed above in Section A.3. plus conventional financing for the balance of needed funds at 6.5 % interest for 20 years (without TSEP assistance).

Debt Service: $_____
Operation and Maintenance: $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD: $_____

2. **Calculate an average monthly charge or assessment per household for the utility, assuming the use of the financing sources listed in Section A.3. above plus the receipt of the full amount of requested TSEP assistance.**

Debt Service: $_____
Operation and Maintenance: $_____
Other Charge (specify):
_____ $_____

TOTAL SERVICE CHARGE PER HOUSEHOLD: $_____

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MONTANA TSEP PROGRAM

SAMPLE RESOLUTION TO AUTHORIZE SUBMISSION OF APPLICATION

Note: **Each applicant is required to submit a resolution from the local governing body authorizing submission of the application. The following is a sample format.**

WHEREAS, the (Town of _____, the City of _____, or _____County) is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) to (describe purpose of project);

WHEREAS, the (Town of _____, the City of _____, or _____County) is (or name of subrecipient entity) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed public facility);

That the (Town of _____, the City of _____, or _____ County) has held at least one advertised public hearing in the area of the proposed TSEP project to inform local citizens and affected property owners regarding the components and projected costs of the proposed project;

That the (Town of _____, the City of _____, or _____ County) agrees to comply with the requirements described in the 1992 TSEP Application Guidelines; and

That (name of Chief Elected Official or Chief Executive Officer), (title) is authorized to submit this application to the Montana Department of Commerce, on behalf of (the Town of _____, the City of _____, or _____ County), to act on behalf of (name of City, Town or county) and to provide such additional information as may be required.

Signed _____

Name _____

Title _____

Date _____

Attested _____

CHECKLIST OF ENVIRONMENTAL CONSIDERATIONS FOR TSEP PROJECTS

The Montana Treasure State Endowment Program (TSEP) program is subject to the Montana Environmental Policy Act of 1971 (MEPA). MEPA requires the Department of Commerce (DOC) to evaluate any possible effects a proposed project could have on the environment and to consider mitigating actions where adverse effects may be present. The following checklist is intended as a general guide for TSEP applicants to consider potential environmental effects prior to submittal of a application.

The checklist can assist local governments in deciding which projects to pursue as well as alert the local government to design and construction considerations that may have to be integrated into a project to avoid potential adverse environmental effects. If a project is selected for TSEP funding, a more detailed environmental review of potential environmental impacts will be conducted. Potential TSEP applicants should contact DOC for guidance on any questions relating to potential environmental considerations.

1. **Site Suitability**

   Is the project site or area generally physically suitable for the proposed project in terms of slope, erosion, or soils?

   _____
   _____
   _____

2. **Floodplain**

   Is the project area within or adjacent to an identified 100-year flood plain, similar flood-prone area, or area of stormwater drainage discharge?

   _____
   _____
   _____

3. **Surface Water and Aquifers**

   Would the proposed project have a potential adverse impact on either surface water quality or an identified underground aquifer (water bearing zone)?

   _____
   _____
   _____

4. **Wildlife Habitat/Endangered Species**

   Would the project, in general, have a potential adverse impact on existing wildlife or fish habitat? Would the proposed project have a potential adverse impact on either an endangered animal or plant species?

   _____
   _____
   _____

5. **Wetlands**

Would the proposed project alter or disturb wetlands? "Wetlands" generally includes swamps, marshes, bogs, sloughs, potholes, wet meadows, river overflows, mud flats, and natural ponds.

6. **Air Quality**

Would the proposed project have an effect on existing area air quality?

7. **Historic Properties and Archeological Resources**

Would the proposed project have any effect on historic structures, properties, or archeological resources?

8. **Farmlands**

Would the proposed project impact prime, unique, or statewide designated or locally important farmland?

9. **Hazardous Facilities**

Does the proposed project have an acceptable separation distance from hazardous facilities that could pose a hazard to project components? Hazardous facilities could consist of above or below ground chemical or petrochemical gas or liquid storage or manufacturing facilities.

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